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**INTERNATIONAL: Reactions to Shootdown of Airliner**

*Most West European governments remain cautious about taking action to support their public condemnation of the Soviets' shootdown of the South Korean airliner, while in East Asia most countries have joined South Korea and Japan in denouncing the Soviet action.*

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The British, French, and West German Governments have protested the attack to the resident Soviet Ambassadors. The British and French Foreign Ministers plan to discuss the incident with Foreign Minister Gromyko when they meet with him next week at the UN.

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The UK, Canada, and West Germany are supporting consideration of the matter by the UN Security Council. The Netherlands, Norway, and Greece are considering the most effective way to participate.

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British and West German airline pilots, meanwhile, are demanding a boycott of the USSR by civil airlines. West German pilots are calling on Bonn to withdraw Soviet landing and overflight rights.

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South Korean President Chun has led a nationwide outcry, and is demanding that Moscow take full responsibility and apologize. Anti-Soviet rallies in South Korea are expected to continue through three days of mourning until an official memorial service early next week.

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In Tokyo, the US Embassy reports the government will make a high-level demarche to Moscow today demanding a complete explanation of the shootdown. Prime Minister Nakasone has established an emergency council of senior cabinet officials to consider other possible actions.

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There are as yet no signs that Tokyo plans to alter arrangement for a meeting between Foreign Minister Abe and Gromyko in New York later this month. Abe has indicated publicly, however, that the shootdown could affect bilateral ties.

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China thus far has reacted cautiously. The Foreign Ministry issued a brief statement yesterday expressing shock and regret over the incident. Australia's Prime Minister Hawke has termed the incident barbaric and demanded that the USSR make a full accounting.

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**Comment:** The extent of West European support for the US initiative in the Security Council is likely to depend on the language of the resolution. Most states will not want to jeopardize their trade or diplomatic relations with Moscow or with Seoul, but may consider that the cost to themselves of an anti-Soviet resolution is likely to be low.

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West European governments are traditionally reluctant to support economic sanctions, but, given the depth of official anger and public emotion on this occasion, a boycott of Soviet air traffic or some symbolic diplomatic actions cannot be ruled out.

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**LEBANON: Political Developments**

*Druze and Muslim leaders may be more willing to negotiate with the government, but their dependence on Syria for political and military support will limit their willingness to compromise.* [ ]

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Druze leader Walid Junblatt told the US Ambassador in Damascus yesterday that he was prepared to meet with President Gemayel. Junblatt suggested that other members of the Syrian-backed National Salvation Front as well as Shia leader Nabih Barri might be willing to meet with the President. [ ]

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Gemayel drafted letters to Syria and the PLO yesterday. He formally requested the withdrawal of their respective forces from Lebanon. [ ]

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In West Beirut, the Army has begun thinning out its forces, according to press reports. Yesterday the Lebanese Armed Forces also established mobile and fixed checkpoints throughout East Beirut, which reportedly are intended to establish an "effective presence" in Christian areas. [ ]

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**Comment:** The impending Israeli withdrawal leaves little time for Gemayel and Junblatt to settle their differences. Syria will put pressure on Junblatt and other opposition leaders to demand a reduction of Christian political power and other concessions that Gemayel will be unable or unwilling to accept. [ ]

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If the Army fails to disarm the Lebanese Forces, Muslims and Druze will become increasingly wary of government intentions. [ ]

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**LATIN AMERICA: OAS Conference on Debt**

*Latin American debtors bring widely divergent positions to the OAS debt conference next week, making collective action other than a general statement highly unlikely.* [ ]

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The US Embassy in Brasilia reports that Brazilian economic officials are opposed to joint actions and have quashed a proposal made by the Foreign Ministry supporting a debtors' cartel. [ ]

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[ ] Most Caribbean debtors are hoping to avoid contentious debate, while the smaller South American countries would prefer bilateral trade and debt talks with the US. [ ]

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**Comment:** With bankers cooperating in rescheduling programs, there is little likelihood that joint action by debtors will gain widespread support. Brazil, Mexico, and Argentina almost certainly will oppose collective action schemes, fearing the effect on their financial programs. Brasilia will want to avoid jeopardizing its revised IMF agreement and the release of suspended foreign funds. [ ]

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Venezuela, on the other hand, has rejected an IMF program at least for this year, and has less to risk. Caracas probably would consider the conference partially successful if talk of coordinated debtors' action is widely reported. Some resolutions may in fact be adopted appealing for dramatically improved terms in debt rescheduling. [ ]

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Venezuela stands a chance of gaining its objective only if current IMF loan agreements collapse, forcing Brazil or another large debtor to declare a moratorium. Such an action at the time of the conference probably would encourage other countries to follow suit. [ ]

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**BRAZIL: Key Economic Official Resigns**

Central Bank President Langoni reportedly resigned yesterday as a result of differences with other economic advisers and his objections to the IMF austerity program as "unrealistic." The US Embassy says Langoni considers the program unworkable because he believes the inflation targets are unattainable. [REDACTED]

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[REDACTED]

Alfonso Pastore, former Secretary of Finance in the state of Sao Paulo, is to succeed him. [REDACTED]

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**Comment:** Langoni's resignation could complicate efforts to arrange a new rescue package with foreign banks. Langoni has been the principal Brazilian dealing with them, and Pastore will need time to gain the expertise and the confidence of the bankers that Langoni had. Moreover, the addition of an economic figure of Langoni's stature to the growing list of Brazilian critics of the IMF program may impede Brasilia's efforts to adhere to difficult stabilization measures.

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**MEXICO: Gubernatorial Election**

Mexico's ruling party faces a major challenge in its efforts to retain the governorship of Baja California Norte in the election tomorrow, but it probably will win despite opposition efforts to exploit economic problems. The party—concerned that this race could produce the first opposition governor in more than 50 years—chose a popular candidate who has campaigned aggressively. The election also will give some indication of public reaction to President de la Madrid's State of the Union speech on Thursday. [REDACTED]

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**Comment:** The government seems to have effectively used its usual methods of promising economic assistance if it wins and threatening to curb local spending if it loses. Even so, the party recently has suffered losses in municipal elections and will experience further such setbacks over the next few months because of continuing economic discontent and its inability to discredit opposition views. [REDACTED]

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**SOUTH AFRICA-LESOTHO: Insurgent Attacks**

South African-backed insurgents made two hit-and-run attacks in Lesotho this week, according to the Lesotho Government. Earlier, the government had informed the US Embassy that it had firmly decided to expel some 250 refugees allegedly affiliated with groups banned in South Africa. Since the car bombing on 20 May in Pretoria by the African National Congress, South Africa has been putting pressure on Lesotho to take action against these refugees. [ ]

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**Comment:** The attacks almost certainly reflect South Africa's frustration that Lesotho has not moved more quickly to meet its demands. Even if Lesotho moves to expel the refugees, however, its security forces probably will be unable to prevent other South African dissidents from entering Lesotho. Until South Africa is convinced that its security concerns are met, it will continue to support the insurgent attacks. In addition, Pretoria is likely to continue to refuse to release arms shipments for Lesotho being held in Durban and to deny entry to thousands of migrant workers from Lesotho. [ ]

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**SUDAN: Increased Discontent**

The US Embassy reports that severe food and fuel shortages and utilities cutbacks in Khartoum have caused increased public dissatisfaction with the government. [ ]

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[ ] Press reports indicate the government closed all schools in the Khartoum area last week following two days of student protests over shortages and rising educational costs. [ ]

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**Comment:** The Sudanese people have long complained about their declining standard of living, but internal opposition generally has been disorganized. The recent student demonstrations displayed a level of planning not evident in recent years, however, and additional student protests could spur other segments of the population. [ ]

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**NORWAY: Defense Spending**

New information from the US Embassy in Oslo indicates that the Ministry of Defense is not planning to reduce overall defense spending for 1983 and still plans to achieve 3.5-percent real growth in defense spending for the year. The \$16.5 million being cut from military operating expenses for 1983 reflects an effort to avoid exceeding the defense budget for 1983 and will not result in an overall reduction in defense spending, as previously reported. This adjustment is in line with the proposed Defense Plan for 1984-88. It calls for a decrease in operational spending in order to increase investment spending from the current 20 percent of the defense budget to 25 percent by the end of 1988. [REDACTED]

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**Comment:** Greater investment funds apparently are needed to finance major modernization programs, including stockpiling of arms and equipment and acquisition of the Improved Hawk air defense system, six new submarines, and 72 F-16s. Although these programs reflect Norway's dedication to its NATO commitments, the necessary budget shuffling almost certainly will have an adverse affect on military training and readiness. [REDACTED]

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## **Special Analysis**

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### **PAKISTAN: Impact of Recent Disturbances**

*President Zia's government is successfully coping with political demonstrations and violence in Sind Province, the most serious challenge to the military regime since it took over in 1977. The protests, however, may induce Zia to make some concessions to moderate political leaders and to alter parts of his plan to return Pakistan to civilian rule by March 1985. The level of violence in Sind appears to be decreasing, but, unless Zia takes measures to accommodate traditional Sindhi leaders, separatist sentiment there will grow.*

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The government still faces significant unrest in Sind, and opposition spokesmen say they will renew attempts to foment agitation in the key province of Punjab over the next two weeks. Exiled leaders from Punjab of the Pakistan People's Party—the largest group in the opposition coalition—have announced they will return home to organize protests. Recent charges by Islamabad of foreign involvement in the disturbances, however, will reinforce the reluctance of most Punjabis to challenge the regime.

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#### **Alienation in Sind**

Ethnic Sindhis have long been alienated from Zia's martial law government. There is deep anger at the Army's overthrow and the later execution of former Prime Minister Bhutto, a native of the province.

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Sindhis also resent the domination of the largely Punjabi Army and the economic inroads being made in their province by outsiders. The worst violence has occurred around strongholds of the People's Party in central Sind and farther north. In those areas, newly irrigated land is being given to Punjabi settlers, many of them former Army officers.

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The groups in the forefront of the protests—pro-People's Party landlords and local religious leaders—are the most influential in Sindhi society. They probably decided to defy the government now as a result of the decision announced on 12 August to bar them from competing in elections.

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The landlords and religious leaders have been joined by local elected officials, provincial civil servants, and students. All these groups believe Zia has halted Bhutto's programs to develop their province. They believe their long-term interests are severely threatened by his policies. [ ]

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Long-festering separatist sentiments have gained ground in Sind since Zia took power, and even moderate leaders of the People's Party have sought to champion Sindhi rights. If Zia is unwilling to make concessions to the traditional Sindhi elites and to the new middle class, or if the Army has to be widely deployed to put down violence, the demand for a separate state could become intense. [ ]

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### **Quiet in Punjab**

Although there are pockets of strong opposition in Punjab, Zia apparently has substantial support there for his plan for a phased return to civilian rule. Bazaar merchants and the clergy—key elements in any urban agitation—have refused to support opposition strikes and demonstrations. Labor leaders will only join a movement that is well under way, and anti-Zia students—who oppose a possible ban on student unions—have been unable to organize because schools are on vacation. [ ]

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The People's Party retains the loyalty of the rural and urban poor in Punjab, but only Bhutto's wife and daughter apparently can galvanize these groups. Bhutto's wife is undergoing treatment for a serious illness in Europe, and his daughter has been under house arrest since 1981. [ ]

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As long as Punjab remains quiet, the current movement will not threaten Zia's hold on power. Punjabis are the most concerned that the Indians or Soviets will exploit unrest in the country, and they are the most likely group to back the government in power. If the Army were called out to put down widespread violence by fellow Punjabis, however, Zia probably would soon be replaced by another general. [ ]

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### **Prospects for Negotiations**

Zia so far appears determined to carry through with his program to hold elections, amend the constitution to strengthen presidential powers, and lift martial law by March 1985. The disturbances in Sind are likely to make it impossible, however, to hold local elections there this month on schedule. Any effort to do so could result in renewed violence. [ ]

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If disturbances are continuing when Zia returns from his visit to Turkey and Saudi Arabia next week, the President probably will expand his contacts with moderate opposition leaders. Judging by his past performance, he is fully aware of the risks of too much repression.

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The moderates in the People's Party have strengthened their support by leading the protests, and they may be prepared to negotiate. The leftists oppose negotiations and want to force more radical social change. So far, however, they have been unable to demonstrate strength by bringing labor into the movement.

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Although opposition moderates will demand earlier elections and the restoration of parliamentary government, the key issue will be their right to participate in elections. Negotiations with the opposition would test Zia's resolve to adhere to his plan to restore civilian rule. If Zia appeared amenable to changes, he would face competing demands from conservative and Islamic groups that have supported him in the past and who distrust the People's Party.

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